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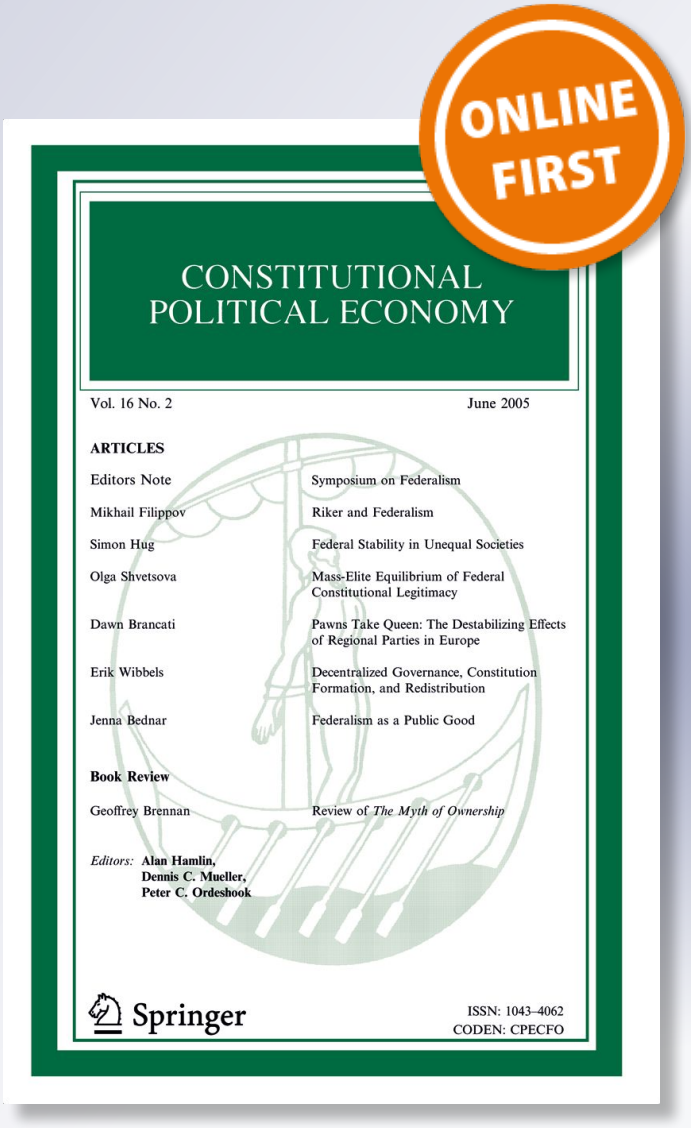

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ORIGINAL PAPER

The political economy of civil society

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Abstract The dichotomy between intended and unintended outcomes of individual and collective action is central to political economy. It concerns the relationship of markets and states and their link to the constitution of society. As such, this dichotomy points to the patterns of connectivity that provide the social embedding of markets and states. The present paper argues that civil society is best understood as the principal locus of connectivity in which markets and states operate. Civil society so configured is neither separate from the body politic and commercial society nor subordinate to them but instead constitutes the primary objective structure of the social domain. It embeds the causal arrangements that determine the crisscrossing of both intended and unintended outcomes in specific contexts. Within the social domain, dispositions of the means-end type interact with non-instrumental dispositions. One important implication is that civil society is compatible with a range of different political economies and specific socio-economic arrangements. Based on a typology of three distinct paradigms of civil society, we argue that the proximity paradigm is conducive to the discovery of political economies that foster greater openness and specificity compared with the political and the economic paradigm. This paper suggests that the theory of civil society in general and the proximity paradigm in particular are indispensable

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heuristic tools to identity the unrealized capacities inherent in any given social configuration. A proximity heuristic is applied to the discussion of credit arrangements and policy. We conclude that a hierarchy of policy principles is necessary to preserve the primacy of social connectivity over means-end relationships and the conditions for context-specific arrangements and policy options.

Keywords Political economy · Intended and unintended outcomes · Social connectivity · Civil society · Proximity paradigm · Economic policy principles

JEL classification P48 · B59

1 Introduction

A fundamental dichotomy in political economy is the one between goals achieved by agents directly aiming at them (intended outcomes) and goals achieved through the actions of agents whose original purpose had been different (unintended outcomes). Adam Smith's occasional use of the 'invisible hand' metaphor is a case in point (Smith 1976a [1759], iv.i.10; 1976b [1776], iv.ii.9; Rothschild 1994; Rothschild 2001; Rothschild and Sen 2006). Another instance is the set of situations to which the fundamental theorems of welfare economics apply (Arrow 1951; Chipman 2002). The above dichotomy comes into play when discussing the relationship between markets and states and the relationship of both to the constitution of society. For both markets and states are institutional devices conducive to the attainment of individual or collective goals. At the same time, they also are channels through which human actions may end up delivering outcomes partially or completely different from those originally envisaged (Menger 1963 [1883]; Hayek 1973; Vanberg 2005).

The dichotomy between intended and unintended outcomes calls attention to the complex patterns of connectivity that provide the social embedding of markets and states and underpin the specific causal structures at work in the economic domain. The conjecture we want to explore in this paper is that neither markets nor states derive their distinctive features in specific contexts from the functions or purposes conventionally assigned to them. In reality, historically and socially defined patterns of connectivity are central in determining the working of markets and states under given conditions. Intended and unintended outcomes within certain contexts are best explained in terms of the causal network in which actions take place, rather than in terms of one-directional means-ends relationships.[1] We contend that the concept of *civil society* can be used to describe the primary constitution of connectivity in

[1] Here and in what follows we shall denote by *causal network* the system of causal laws relevant to the context in view, i.e. a domain in which it is *possible* for certain actions or interventions to bring about certain outcomes. By contrast, a *causal structure* is considered as a system of outcomes resulting from certain actions or interventions, and this distinction impinges upon the other distinction between 'strategy causation' and 'production causation' discussed by Nancy Cartwright (Cartwright 2007, pp. 206–210). This calls attention to the intertwining of intended and unintended outcomes and highlights that need of locating both within the causal structure of any given social domain.

which markets and states operate. Our argument will go further and suggest that civil society *embeds* the causal structures determining the relationship between intended and unintended outcomes in any given social domain. Civil society so configured rests on the idea that economic and political agents have dispositions to interact in cooperation or conflict and that it is this type of connectivity which constitutes the ultimate condition of context-specific congruence in society.

The following section locates the domain of civil society beyond the confines of markets and states. It also suggests that this domain encompasses the relational patterns and instrumental connections fundamental to the working of markets and states. As such, we distance ourselves from many of the dominant conceptions, both past and present, that view civil society either as an extension of the modern state or as being synonymous with commercial society, or even as an additional domain *separate* from both. The third section outlines the core elements of a theory of civil society, contrasting the political and the economic paradigm with what we call the proximity paradigm. The theory outlined in this paper shifts the emphasis away from the dichotomy of closure and openness (linked to the political and the economic paradigm) towards the idea (associated with the proximity paradigm) that *multiple* levels of connectivity ultimately provide a condition of context-specific congruence in society. The fourth section focuses on the political economies of civil society, that is, on those instrumental arrangements of economic and organizational actions ensuring the provision of goods and services in any given society. To view civil society as the embedding structure of purpose-driven activities calls attention to the unintended outcomes of those activities and thus to embedding itself as the primary locus of congruence, as the proximity paradigm highlights. The fifth section links the proximity paradigm of civil society to principles of economic policy-making. In that section we derive some fundamental guidelines and consider the application of these to the selected area of credit policy. The final section presents some concluding remarks.

2 Beyond markets and states: the domain of civil society

Much of contemporary academic research and public policy-making views markets and states as foundational categories that constitute and structure social reality. However, what remains unexplained is, first of all, why these categories are—or should be—seen as either naturally or historically given and, secondly, in what type of sociability those categories are ultimately grounded. The focus of this paper is on how to bring together markets and states under a common conceptual framework provided by the interplay of intended and unintended outcomes. The dichotomy between intended and unintended outcomes calls attention to the patterns of connectivity that provide the social embedding of markets and states and underpin the specific causal structures at work in the economic domain.[2] We argue that the

[2] Our approach contrasts with notions of embeddedness and cognate concepts that are deployed in the literature such as Mark Granovetter's distinction between weak and strong ties and Walter Powell's network forms of production organization. See Granovetter (1973, 2005) and Powell (1990).

domain of civil society conceptualises these patterns of connectivity and the associated causal structures. In virtue of that connectivity, actions may or may not achieve their intended outcomes, and outcomes resulting from actions aimed by certain individuals at specific objectives may prove to be conducive to the realization of different objectives, either of the same individuals or others. Patterns of connectivity are also responsible for unintended outcomes that may impinge upon agents' dispositions and ultimately transform the setting of economic and social interactions.

In this view, the distinction between instrumental and non-instrumental activities takes a new turn. For that distinction would no longer derive from different subjective attitudes (such as selfish *versus* altruistic dispositions) but from a division within the objective structure of the domain of civil society. *Instrumental activities* are states of the world in which certain practices are directly conducive to achieving one or more particular ends as a result of explicit goal-seeking, whereas *non-instrumental activities* are states of the world that may or may not be conducive to specific ends independently of explicit goal-seeking. The above distinction suggests the possibility of identifying non-instrumental conditions by means of a negative heuristics: for any given context, it is reasonable to expect that there will be practices associated with social outcomes different from those deliberately envisaged. Correspondingly, we may expect that there will be social outcomes removed from any explicit goal-seeking behaviour, even if the same outcomes could be associated with instrumental dispositions under different circumstances.

This point of view is consistent with Friedrich August von Hayek's emphasis on "how the *order of rules* affects the resulting *order of actions*" (Vanberg 2005, p. 25; cf. Hayek 1969), even if those are rules "which the individual may be unable to express in words" (Hayek 1978, p. 7).[3] It is also consistent with John Hicks's distinction between the *order of being* and the *order of doing* (see Scazzieri and Zamagni 2008, p. 6), in which the former is configured as a *causal network* that precedes the activation of specific goal-seeking practices, while the latter is conceived as a *causal structure* brought about by practices targeting specific objectives (but not necessarily successful in achieving their purpose). John Broome's recent emphasis on the role of dispositions in disentangling the ambiguous status of "acting for a reason" (Broome 2009) is an important reminder of the intertwining of deliberate reasoning and habits of which agents may be unaware but which may be central in determining the configuration of intended and unintended outcomes specific to any given social context (see also Drolet and Suppes 2008). The world of practice is a complex structure of overlaps between intended and unintended outcomes, and these overlaps are closely associated with the constitutive role of uncertainty in social life. As Albert Hirschman noted, the outcomes of certain activities "are so uncertain" that they are "strongly

[3] Important sources of Hayek's theory are Adam Ferguson's conjecture that human beings "stumble upon" institutional devices which nobody has actively designed and implemented (Ferguson 1966, p. 123; 1st edn 1767), as well as in Carl Menger's view that "institutions which serve the common welfare and are extremely significant for its development come into being without a *common will* directed toward establishing them" (Menger 1963, p. 146; see also Scazzieri 2003a, pp. 326–332).

characterized by a certain fusion of (and confusion between) striving and attaining" (Hirschman 1985: 13; cf. Hirschman 1982: 84–91).

The concept of civil society may be used to describe precisely the overlap of intended and unintended outcomes that configures the constitution of any given social domain in which interactions are not solely instrumental and target-oriented. Within any such domain, social activity is open to a plurality of possible results, and uncertainty is partly a product of the criss-crossing of multiple causal linkages. Civil society so configured suggests a fundamental rethinking of economic and political theory. Rather than being wedded to the dichotomy between the body politic and commercial society that are governed primarily by individual rights or private self-interest, our account views civil society as the principal locus of the dispositions for co-operation or conflict. As such, it is different from some pre-modern conceptions of community and civic life. Indeed, it addresses interpretive and policy issues by highlighting the manifold possibilities that are grounded in the domain of social practices. By contrast with Hobbesian and Lockean ideas of contractual connections based on pre-social individual rights and means-ends rationality, our argument starts with the preliminary consideration of the mutual congruence of dispositions within any given social structure. We maintain that the domain of civil society (as defined above) is the space of possible arrangements in which dispositions of the means-ends type interact with non-instrumental actions and dispositions and thus become embedded in the causal structure generating both intended and unintended outcomes. Civil society so configured combines the realization of specific objectives in the economic and political spheres with the persistence of a durable space of social connectivity. This complex web of instrumental and non-instrumental social relationships provides the foundations not only for informal arrangements but also for formally instituted political and economic life.

In part, our account of civil society is an attempt to respond to the failure properly to theorise civil society beyond the categories of markets and states. This does not mean that civil society stands apart from the public or the private sector. Much rather, the question is whether civil society is a mere artifice derived from agents' deliberate decision-making or whether it mirrors an objective 'order of things' (e.g. Hicks' "order of being", as defined above). In that order, fundamental structures of interaction are more primary than explicit contractual arrangements, and social connectivity takes precedence over explicit goal seeking.[4] To explore this critical issue, the following section outlines core elements for a theory of civil society.

[4] This set of ideas is congruent with a wide array of different yet overlapping schools of thought throughout the modern age, from the Cambridge Platonists and David Hume's idea of universal sympathy via Thomas Carlyle to Karl Polanyi. For example Ralph Cudworth emphasizes the role of real relations among persons and things that precede any contractual arrangements. Such real relations ('*scheses*') combine horizontal and vertical patterns of interaction (see Cudworth, *A Treatise Concerning Eternal and Immutable Morality*, Book IV, chap. II, 4–13, chap. III, 11; Cudworth 1996, pp. 86–96 and 111). In this connection, David Hume speaks of "[t]he coherence and apparent sympathy in all the parts of this world" (see his *Dialogues Concerning Natural Religion*, XII; Hume 1948, p. 86). See also Carlyle (1843) and Polanyi (2000).

3 Towards a theory of civil society

This section investigates three principal paradigms of civil society, which draw attention respectively to the political, economic and proximity dimensions of sociability and are a useful benchmark for the construction of a more general theory. There is a close relationship between concepts of sociability and ideas of civil society. The former denote dispositions of human beings to interact on a regular basis, to establish relatively endurable webs of relationships, and to use those relationships in order to further the achievement of *oikeiosis*, which could sometimes include the improvement of material welfare.[5] Those webs designate a particular set of relations, institutions and organizations that allow the realization of sociability by blending horizontal connections with certain vertical arrangements. This underscores the multiple sources of power in the sense of influence (Wieser 1926) within any given social configuration. Connectivity so configured leads to social outcomes through objective congruence rather than deliberate decision-making.

The link between sociability and civil society is to be found in the *primary character* of social dispositions, and in the *secondary character* of the specific objectives assigned to any given organizational set-up. Civil society is a matrix of relationships such that dispositions to interact according to congruent patterns take precedence over specific purpose-oriented arrangements of actions.[6] At their root, modes of interaction embedded in civil society are open to the realization of outcomes that had not been directly anticipated or sought for (unintended outcomes): the mutual congruence of dispositions within one or more causal networks is to a certain extent independent of the tasks human actions perform in a programmed arrangement of activity. This means that civil society provides a benchmark for the assessment of how institutional and organizational capacities can work within any given social domain, but cannot be a substitute for them. For this reason the conceptual map of civil society is primarily a tool for social heuristics, which allows the analysis and evaluation of specific programmes and policies. On the other hand, the very configuration of connections within a given context provides guidance for institutional and organizational architectures that would allow effective use of the opportunities generated by the criss-crossing of intended and unintended outcomes.

A theory of civil society built on the above premises is a necessary prerequisite for the formulation of policy proposals adequate to the latter objective. Civil society is at the same time a space of realized forms of social congruence *and* a conceptual

[5] *Oikeiosis* denotes the appropriation of what is necessary to life under given conditions. In the words of Cicero's *De finibus*, it is a disposition that may be described as "*ipsum sibi conciliari et commendari ad se conservandum et ad suum statum*" [to be conciled with oneself and to make oneself apt to the maintenance of oneself and of one's own condition] (Cicero, *De finibus*, III 5, 16; Cicero 2001, p. 105).

[6] This feature is emphasized by Edward Shils: "[a] civil society is a society of civility in the conduct of the members of the society towards each other. Civility enters into conduct between individuals and between individuals and the state; it regulates the conduct of individuals towards society. It likewise regulates the relations of collectivities towards each other, the relations between collectivities and the state and the relations of individuals within the state" (Shils 1991, p. 4).

map for social heuristics aimed at recognizing social arrangements associated with partially overlapping connections among individuals or groups. It is also a privileged route to understanding the political and economic implications of multiple levels of collective action and governance.

The implications of the above point of view are far-reaching. In particular, the structure of governance within society at large appears to be not fundamentally different from governance within smaller groups, and to a certain extent not essentially different from the conditions governing the arrangement of actions of individual agents. Indeed, multiple levels of social interaction introduce an expansive element that paradoxically reduces the distance between different domains, facilitates connectivity across those domains, and might allow the implementation of governance by means of mutual adjustment and compensation.

The above framework entails the view that governance cannot be detached from the possibilities that multiple connectivity allows, and from the constraints that that very connectivity introduces. The paradigm of civil society calls attention to the existence under most historical conditions of groups of people organized according to a multiplicity of criss-crossing patterns of connectivity. Conflict is simmering and sometimes explicit, but the moderating action of connections on manifold dimensions is also acknowledged. In short, shifting the focus away from markets and states towards civil societies brings politics back to centre stage and establishes it firmly on the self-organized connectivity of social bonds. Civil society is compatible with a variety of institutional and organizational arrangements (see above). For this reason, the analysis of civil society cannot be undertaken purely through deduction from first principles. On the other hand, to undertake such analysis we need to compare and contrast different contexts, so that recognition of general characteristics is essential. For this reason, it is practical to concentrate on a few stylised cases in order to highlight some general features of the whole domain.

The *political paradigm* of civil society has its roots in the analysis of inter-subjective relationships among individuals or groups belonging to a reference domain defined by social closure. In its classical formulation, closure is associated with membership of the same political community of equals, and *isonomy* (equality before the law) is its most distinctive feature. The binary relationship of citizenship is the prototype of sociability and makes the political model a combination of structural equivalence (among individual members) and closure to aliens.[7] It is to be noted that the transitivity of citizenship does not exclude the existence of non-transitive relationships of a more circumscribed type. In other words, the joint membership of the social domain does not coincide with the citizenship relationship. For this reason, members of the same political domain may be related with one another on manifold levels, but systematic relationships with aliens are excluded.

[7] J.L. Cohen and A. Arato note the relationship between the political model of civil society and a specific approach to sociability: "*Politike koinonia* was defined as a public ethical–political community of free and equal citizens under a legally defined system or rule. Law itself, however, was seen as the expression of an ethos, a common set of norms and values, defining not only political procedures but also a substantive form of life based on a developed catalogue of preferred virtues and forms of interaction" (Cohen and Arato 1992, p. 84). On the different conception underpinning the modern State, see Matteucci (1993).

At the same time, it is worth noting that a political association presupposing social closure may be compatible with a considerable degree of differentiation as to the relationships between its component individuals and groups. For example, "the feudal order of fragmented sovereign units, patrimonial rulers, corporate bodies, towns, etc., as well as medieval kingship and empire, all came to be described in different sources as *societas civilis sive res publica* […]. Unnoticed, this usage introduced a level of pluralization into the concept that could now hardly be unified under the idea of an organized collective body, the notion of *respublica Christiana* notwithstanding" (Cohen and Arato 1992, p. 85). In the latter case, closure under the citizenship relationship is compatible with a variety of alternative, and sometimes mutually exclusive, memberships *within* the polity under consideration. It may also be compatible with non-political connections, or political connections of a different type, *across* domains identified by alternative citizenship relationships.

The *economic paradigm* of civil society is strikingly different. Its most distinctive feature is that it is based on social openness rather than social closure, and its roots are to be found in the mutual congruence of human tasks assigned to the performance of coordinated, or at least mutually compatible, activities in the domains of production and exchange. What we are dealing with in this case is a mode of sociability in which individuals or groups are connected with each other in virtue of the material content of their activities rather than in terms of a general criterion of membership, and also independently of any explicit *ex ante* co-ordination in view of a deliberate objective. What needs to be emphasized here is that, as Adam Smith noted, the universal disposition or "natural propensity to truck, barter and exchange" (Smith, *Wealth of Nations*, I, ii, 1) is itself a consequence of "the general propensity to discursiveness" (Rothschild and Sen 2006, p. 322; cf. Rothschild 2001) found in human societies.[8] This establishes both division of labour and commercial exchange on a condition of sociability in which the attainment of intended outcomes resulting from goal-seeking depends to a large extent on unintended outcomes resulting from discursive practices.

The binary relationships to be found in productive co-operation (simple or complex) and in exchange co-ordination are the prototype of sociability under the economic model of civil society and make this model a combination of *structural equivalence* and *social openness*. Both conditions derive from the primary role assigned to material congruence (that is, congruence of human dispositions and actions independently of human decisions), so that formal membership conditions only take a secondary and subordinate role. A most important consequence of social openness is the collapse of transitivity. The existence of non-transitive relationships is the rule and becomes the opening device allowing subjects and groups to move beyond the confines of a closed relational domain. It is to be noted that in this case 'local' relationships become the norm insofar as they are not circumscribed to the social arrangements compatible with membership of a given political domain, but may reach (at least in principle) distant subjects and groups.

[8] Far from viewing discursiveness as absolutely foundational of all social behaviour, it can be understood as an irreducible part of a thick social texture that includes other, non-discursive forms of human interaction.

The *proximity paradigm* combines elements of the political and economic paradigms and points to features of sociability that are central to the identification of the fundamental relational structure of civil society. This is because in the proximity paradigm social closure is avoided and congruence among individuals or groups is achieved through a *multiplicity* of partially overlapping connections. This is to say that a civil society grounded in proximity presupposes the existence of a binary relation open to actual or potential constituent members that is in turn derived from a collection of relations that are binary only in a circumscribed and local sense. For example, a civil society of the proximity type can derive from the combination of economic and political features, so that seemingly disconnected domains are covered by a single encompassing relationship.

The building blocks of the proximity paradigm are relationships that are inherently non-transitive (as in the economic model), whereas the general relationship built upon them is transitive (as in the political paradigm). A distinctive feature of the proximity paradigm is that individuals or groups derive their identity from a variety of attributes. Some of those attributes are central in a given relational domain but secondary in another domain. This lack of a constant hierarchy of attributes is central to the possibility of a civil society of the proximity type. For individuals or groups for whom certain attributes are secondary may find precisely those attributes sufficient to establish a general pattern of congruence with respect to individuals or groups for whom those attributes are primary. What is important in this case is the existence of a congruence class including all subjects sharing a common attribute (which can be primary to certain subjects and secondary to others, or even secondary to all). The structure of proximity that is hereby generated allows selective closure of local domains but is open to congruence across those domains.

Arguably, common citizenship can introduce a binary relationship between two subjects within the political domain while excluding a third subject from that relationship, whereas involvement in a common pattern of productive cooperation (such as division of labour) introduces a binary relationship between the second and third subjects within the economic domain while excluding the first subject from that relationship. In that case, a further attribute common to all (such as a common language or other social practices, customs and traditions) may restore a pattern of congruence that would otherwise be neglected or jeopardized. It is to be noted that in this case social congruence may be ridden with conflict among different sub-domains and yet be open to conflict solution and even co-operation precisely because conflict is circumscribed to its proper sphere and the *possibility* of an encompassing relationship is highlighted.

To sum up, the domain of civil society is grounded in dispositions making sociability independent of explicit goal-seeking and may take a variety of configurations depending on which particular disposition (or set of dispositions) is emphasized. From this point of view, the theory of civil society primarily serves a heuristic function. This is because it brings to light (1) the alternative criteria of congruence that may be associated with different dispositions; and (2) the combination of intended and unintended outcomes that are specific to any given social domain. In this way, the theory of civil society provides a conceptual

framework allowing both the analytical reconstruction of existing structures of social connectivity and the assessment of which institutional and organizational arrangements are congruent with those structures. In particular, this theory suggests patterns of congruence that are attuned to existing dispositions and yet unrealized in terms of actual institutions and organizations.

4 Political economies of civil society

The theory of civil society suggests an approach to the economy and its governance that stand in fundamental opposition to the institutional and organizational structure of a command economy or of a 'disembedded' market order. On the other hand, the paradigms of civil society discussed above are associated with institutional and organizational patterns of division of labour and exchange that are fundamentally different from one another. They are thus associated with alternative *political economies*.[9]

This is primarily because the political economy of civil society is bound to reject all social configurations that are solely grafted on hierarchies of explicit control and command in the production and allocation of goods and services. In fact, emphasis on unintended causal processes and unintended outcomes highlights 'lateral' (and often non-hierarchical) connections among individuals or groups that are incompatible with persistently star-shaped configurations of social and economic connections. Temporary asymmetries between individuals or groups are possible, but they are not necessarily associated with ascriptive positions in the social structure. Nor do they necessarily lead to obstacles in the dynamic reshuffling of social and economic positions. Individuals or groups have different kinds of access to goods and services, but these differences often are inherently unstable and do not lead to persistent inequality and exclusion. In particular, the different paradigms of civil society discussed above lead to alternative economic structures and suggest that civil society is compatible with manifold social architectures. In short, the intertwining of intended and unintended outcomes in a civil society calls attention to a range of *different* political economies, which may be feasible in different historical contexts.

This section discusses the political economies that are associated with the three paradigms of civil society outlined in the previous section. First, the political paradigm of civil society (as defined above) entails the organization of production and exchange according to the criterion of division of labour among members of the political unit under consideration (be it the Greek *polis* or the modern state). This

[9] Any given *political economy* presupposes the design of a specific organizational structure, insofar as it requires the arrangement of human actions in view of a particular objective, or set of objectives. Max Weber's distinction between organization and union is useful in clarifying this concept: "[a]n 'organization' (*Betrieb*) is a system of continuous purposive activity of a specified kind" whereas the association (*Verein*) is "a corporate group originating in a voluntary agreement and in which the established order claims authority over the members only by virtue of a personal act of adherence" (Weber 1947, p. 28). In view of Max Weber's discussion, a political economy consistent with the non-instrumental character of civil society would be a specific organization (*Betrieb*) embedded in a wider space of social connections (*Verein*). (See, on this issue, Oakeshott 1975 and Ornaghi 1990, p. 25).

means that the formal pattern of division of labour would normally exclude non-citizens and will be strictly associated with membership in the political association (as it is shown by the role of trade guilds in the governance of the late medieval city state).[10] Under these conditions, exchange within the city state or the nation state (*internal exchange*) is primarily a scheme of interdependence reflecting the pattern of specialization between workers or workers' groups who are also members of the same body politic, and will be politically regulated under the assumption of social closure. External exchange follows different criteria but in this case too the role of central governance is decisive.

Second, the economic paradigm of civil society (as defined above) follows a seemingly opposite track. What this model highlights is the possibility of a political economy grounded in the primacy of interdependencies between production or exchange activities independently of the dividing lines between political associations (such as city states or nation states). Therefore, the advantages from the specialization of production processes, as well as those associated with the transferring of goods and services from one set of agents to another, accrue independently of any membership criterion associated with social closure under political association. However, this does not exclude closure under other criteria. For example, an open structure of sociability grounded in division of labour and trade (and generally associated with division of labour *through trade*) presupposes the existence of technical standards, monetary arrangements, and legal criteria recognized and enforceable across different fields of political sovereignty (the late medieval, modern and contemporary *lex mercatoria* being a case in point). In short, the economic paradigm of civil society substitutes openness for closure only within a circumscribed domain of social interaction: the political economy associated with it is open through trade and division of labour but makes openness conditional upon the willingness and ability to follow the universal standards and norms that ensure the compatibility of decisions and actions across *different* political domains.[11]

[10] Anthony Black notes in this connection that "a distinctive and clearly defined notion of community developed during the take-off period of the urban movement, and was applied indifferently to towns of all sizes, to villages and to guilds. Popular and official opinion in towns appears to have regarded such a community as by its very existence having a moral right to corporate status, to juridical personality, to the ownership of collective property, and also a moral right to elect its own rulers and govern its internal affairs. This was part of the secret behind the rapid spread of the word *universitates* to describe such groups" (Black 1984, p. 45). Indeed, "in German cities, and in Italian cities which escaped despotism, the council remained the centre of government, to which later on craft guilds clamoured for admission" (Black 1984, p. 48). In due course a "politicization of guild values" took place: "[a guild] was no longer "brotherhood" in the sense of a commitment to specific persons […] but rather a readiness to be friendly to others just because they are one's fellow citizens. It was a social relationship under the rule of law" (Black 1984, p. 77). The priority of closed political membership over relatively open guild membership was not true for all medieval city states, as some viewed participation in guilds and other intermediary institutions as more primary than formal membership in political and legal structures. (see Black 1984; Gierke 1900, especially pp. 1–100; Gierke 1973, especially pp. 143–160; Maitland 2003; Böckenförde 1982; Goldschmidt and Wohlgemuth 2008).

[11] For this reason the economic model of civil society points to the possibility of a civil society whose structure is in principle independent of the division lines between political associations and domains of political sovereignty. However, *international civil society* need not be exclusively dependent on the specific type of sociability associated with this model (see Porta and Scazzieri 1997, particularly pp. 17–20; see also Scazzieri 2003b).

Third, the proximity paradigm involves political economies that are fundamentally different from those associated with the other two paradigms. The grounding of the proximity paradigm in partial similarity through secondary features (as outlined in Sect. 3) suggests a number of important implications as to the institutional and organizational arrangement of economic activities. In particular, any given structure of proximity suggests that congruence is achieved through the partial overlap of manifold attributes: cleavages are admitted but they are cross-cutting rather than coinciding. A proximity structure is not built upon a single binary relation within the social domain: it is rather associated with a variety of 'local' binary structures that are nonetheless intertwined, so that no individual or group is fully excluded or entirely hegemonic. At the same time, no individual or group may reasonably claim to be connected with everybody else to the same degree. A civil society of the proximity type is a relatively loose yet ultimately cohesive structure of connections, such that missing links of one type are 'made up' by links of a different type. For example, formal membership in the political association may be limited to a narrow subset of individuals or groups yet economic or cultural connections may be sufficient to bring about a much more inclusive domain of connectivity.

The proximity paradigms suggests far-reaching implications for political economy. For example, the inability to meet certain formal prerequisites of a particular contract may be compensated by the guarantees associated with the inclusion of that contract within a more comprehensive set of interpersonal arrangements. Certain instances of pre-modern, modern and contemporary credit agreements are a case in point. For example, peasant credit in the medieval village economy was often horizontal in the sense of presupposing only the non-simultaneous distribution of provisions and needs across different peasant units: one peasant family would be in a condition of deficit when another peasant family would be in a condition of surplus (or vice versa). In this case, proximity is realized by means of the multiple connections among units within the same village economy and this *proximity by density* was the ultimate guarantor of creditworthiness (see Briggs 2008 and 2009). In other cases, proximity would act across different places and communities precisely by virtue of the uniqueness of ties linking otherwise nonadjacent individuals or groups. Here, exceptional conditions of partial similarity could trigger *proximity by distance* and generate social congruence across seemingly unbridgeable dividing lines between places, interests, and cultures (see Andreoni and Scazzieri 2011). There are both past and present examples of this phenomenon. For instance, knowledge of a common language (Arabic) allowed twelfth-century Maghribi traders to exchange goods and establish marriage ties with traders in Malabar in spite of the huge expanse between them (see Goitein 1967, vol. I, pp. 167, 169).[12] Another example is contemporary global commerce, which allows cities and regions to trade with each other across the world and in this process to discover patterns of connectivity that go beyond contracts or rights (Sassen 2001). In spite of their utilization of seemingly opposite connecting devices, both proximity by density and proximity by distance make use of the same fundamental criterion: the possibility of introducing partially overlapping connections within a given social

[12] See also Chaudhuri 1985 and de la Vaissière 2004 for alternative paths to proximity by distance across trade routes respectively in the Indian Ocean and along the Silk Road.

space. This possibility allows *both* multiple and mutually reinforcing connections within a closed group of people, and connections by which agents within that group may compensate lack of local opportunities with opportunities associated with external contacts and ties. Relationships of production and exchange properly configured under the proximity assumption are inherently expansive and mutually reinforcing, independently of whether they follow proximity by density or proximity by distance. In either case, partial overlaps allow mutual adjustments to an extent that would be impossible in either the political or the economic paradigm of civil society. Universal standards are no longer required insofar as individuals and groups are able to interact in manifold ways, either by exploring the richness (density) of local relationships, or by detecting the opportunities associated with unknown situations and contexts. The political economy of proximity highlights the opportunities due to partial overlaps and cross-cutting cleavages. It is primarily a type of social structure in which economic arrangements are not sharply separate from other arrangements, so that losses in one domain may be compensated by gains in other domains.

To conclude, individuals or groups are not uniquely arranged along a single dimension of dominance/subordination even in the absence of an abstract and formal standard of 'isonomy' (equality before the law). It is also important to realize that a political economy based upon the proximity paradigm of civil society may take very different configurations depending on whether proximity by density or proximity by distance is followed. In the former case, economic activities are embedded in a thick network of local relationships, such as those of a medieval village economy (Briggs 2008, 2009) or of an early modern neighbourhood economy (Muldrew 1996). In the latter case (proximity by distance), economic activities are embedded in a loose (but nonetheless effective) network of non-local relationships and ties, such as those associated with long-distance global commerce (Sassen 2001). In either case, a political economy of the proximity type embeds production and exchange in a social structure characterized by open-ended connectivity and multiple dimensions of interaction. Here, patterns of division of labour and market arrangements take shape within a domain that avoids both the social closure of political associations and the selective openness of purely economic relationships. This brings about political economies that are at the same time resilient in overall connectivity but also remarkably flexible concerning the specific arrangement of social connections at any given time.

By contrast with the political and the economic paradigm of civil society, the proximity paradigm blends openness with specificity. Through a focus on multiple kinds of connectivity, this model is conducive to social congruence through interdependence across different domains. At the same time, it particularizes the actors who are bound together not exclusively by formal rights or contracts by instead also—and perhaps primarily—by ties of social practices, customs and traditions.

5 Implications for principles of economic policy

The theory of civil society outlined in the previous sections suggests a number of guiding policy principles, even if those principles cannot be reduced to simple

recipes and straightforward advice. Indeed we would be dealing with principles having certain features of a heuristics, insofar as they would presuppose a prior identification of context and possibilities. Those principles are briefly discussed below before turning to the specific case of credit policy:

1. The configuration of unintended outcomes relevant to any given context should be recognized. This would often involve identification of which paradigm of civil society would be most appropriate to the social context in view. Sometimes multiple paradigms are feasible. In this case, a specific paradigm should be selected as the policy benchmark to be followed.
2. After selecting a particular paradigm of civil society as the relevant policy benchmark, it would be important to identify a set of middle principles of the instrumental type. These principles would allow recognition both of intermediate objectives to be pursued and of practical means to achieve those objectives.[13]
3. Both the intermediate objectives and the practical realizations of those objectives should be assessed in terms of the selected paradigm of civil society. This means that any given policy result should be evaluated in terms of two criteria: first, whether or not (or to what extent) the intermediate objective has been realized; second, whether or not the realized objective (or its degree of realization) are consistent with the given benchmark. For example, a policy aimed at the reduction of unemployment may be relatively successful. At the same time, that policy might be inconsistent with some fundamental prerequisites of civil society of the political type: unemployment reduction may violate fundamental principles of human dignity by allowing slave work, forced labour and exploitative labour contracts such as remuneration below the 'living wage' (Ryan 2007).

In short, the policy framework of civil society has to be seen primarily in terms of a *hierarchy of principles*, whereby the sociability condition resulting from the working out of unintended outcomes is made compatible with a plurality of realizations of the means-end type. Any given realization should be associated with a particular set of policy instruments in view of a given set of intermediate objectives. In terms of the analytical framework of this paper, the latter objectives would coincide with a particular political economy.

Formally, we may take a certain set of unintended outcomes as the benchmark in terms of which to assess intermediate objectives and more practical means. Alternative political economies may be considered as intermediate objectives in view of that social condition. Finally, we may be able to identify a set of variables whose values are positively related to the satisfactory working of any given political economy. In this case, it may be useful to introduce a further differentiation in the set of unintended outcomes between target variables and instrumental variables. This means that a conventionally defined set of values would be assigned to a

[13] The implications of this approach for the organization of civil society in a political economy of the market type have been investigated by Luigi Einaudi (1949, especially pp. 39–56) and Wilhelm Röpke (1944, especially pp. 1–49).

certain number of variables (for example, a given level of employment will be selected as compatible with the assumed configuration of the political economy). Finally, a maximizing or satisficing procedure[14] may be followed in order to identify the values for the remaining policy instruments.[15] What is noteworthy in the above procedure is its *sequential character* and the distinction, at any given step, between instruments and objectives. This allows the introduction of a hierarchical principle in the assignment and realization of policy objectives, which is in turn consistent with the assessment of realizations at any single step of the analytical exercise.

To assess the policy principles of civil society, it is necessary to introduce a *separation criterion*. According to that criterion, at any given layer of the existing socio-economic set-up we may distinguish final objectives from intermediate objectives, and the latter from the practical means to achieve them.[16] At a fundamental stage of investigation, a certain configuration of intended and unintended outcomes (and thus a certain condition of sociability) must be identified. This condition of sociability would correspond to a particular paradigm of civil society. A specific *political economy* (that is, a specific set of means-ends relationships) should then be identified, which would be compatible with the paradigm of civil society under consideration. In short, separation principles are essential to assessing whether the policies aimed at the realization of intermediate objectives are compatible with the assumed condition of sociability. They are also essential to assessing whether the assumed condition of sociability helps attain those intermediate objectives.

The above arguments have manifold implications in a variety of economic policy fields. Credit policy is a case in point. The theory of civil society suggests that enforcement of contracts (and thus also the settling of debt-credit relationships) relies upon the self-fulfilled strength of successfully met obligations rather than upon the threat of sanctions. However, different paradigms of civil society would suggest different solutions to this general issue. The political economy of a city state or nation state would generally encourage mutual agreements based upon the relationship of citizenship. This implies trustworthiness associated with common membership in a local or national polity and credit facilities primarily available to members of that polity. On the other hand, the political economy of a commercial

[14] In Herbert Simon's view a 'satisficing' point of view is one whereby "we look for *good enough* solutions rather than insisting that only the best solutions will do" (Simon 1983, p. 85).

[15] We are indebted for this formal argument to the treatment by Silva Marzetti Dall'Aste Brandolini (2011, pp. 318–20), in which she refers to the pioneering work by Jan Tinbergen in that connection (Tinbergen 1952).

[16] Luigi Pasinetti's 'separation theorem' provides the analytical foundation for the above procedure. According to Pasinetti, it is always possible to distinguish, in any given economic system, fundamental structural properties independent of behavioural and institutional contexts, and more local properties that only hold true for specific sets of behavioural and institutional conditions. In his own words, the separation theorem "states that we must make it possible to disengage those investigations that concern the foundational bases of economic relations—to be detected at a strictly essential level of basic economic analysis—from those investigations that must be carried out at the level of the actual economic institutions, which at any time any economic system is landed with, or has chosen to adopt, or is trying to achieve" (Pasinetti 2007, p. 275).

society encourages credit contracts associated with impersonal trustworthiness among individuals or groups that could be otherwise unrelated to one another. In this case, credit is normally available independently of any condition of social closure (such as common membership in a polity). It critically depends on whether impersonal standards of creditworthiness are met. Finally, in a political economy of the proximity type credit may be available subject to membership of local networks and groups that can be circumscribed without being exclusive. In this case, trustworthiness and creditworthiness do not presuppose any common membership or standard, but make credit available across different and partially overlapping social domains. Creditworthiness would be generated by the existence of multiple linkages making people mutually trustworthy on one particular dimension as a consequence of their trustworthiness *on other dimensions*.

This makes the proximity model a useful heuristic for the identification of credit arrangements and credit policies that may be effective in relational contexts where the above structure of congruence is relevant. The proximity heuristic calls attention to the embedding that social connectivity can provide for credit arrangements when borrowers and lenders are mutually dependent in social domains different from those in which loans are being made. Loans to consumption and loans to production are alternative routes along which social connectivity may act as collateral of debt-credit arrangements. In loans to consumption, differences among the time profiles of different agents' consumption needs are essential in determining the configuration of complementarity among those agents. In this case, different time profiles work as *reciprocal collateral* for loans. Interlocking needs point to the possibility of lending and borrowing 'across' different time profiles due to the intertemporal complementarity of agents' needs. Lending of this type does not require any abstinence from consumption, nor does it require any material 'giving back' of what has been borrowed. The complementarity of needs between, say, time periods t and t' makes restitution arrangements redundant insofar as agents at time t are confident that they will be part of the same credit structure over the time horizon encompassing both t and t'. The situation becomes different when the complementarity over time breaks down. For example, two agents may need the same commodity at the same time, so that an allocation conflict may arise. If there is such a conflict, we are back to the conventional scenario of abstinence from consumption in view of future compensation (interest), and a trade arrangement within the single period (such as a loan contract) may be necessary to avoid that agents be locked in struggle.

In the case of credit policy, the proximity heuristic brings into focus the structure of congruence within a given social setting and underscores the argument that effective credit policies cannot be derived from a standardised set of benchmarks applied without consideration of context. By contrast with most approaches to credit policy that rely largely on the creditworthiness of current and projected assets and income (lending from private institutions or public bodies), the proximity paradigm shows that functioning credit arrangements have to be context-specific in order to make use of the most appropriate set of collaterals. The implications of the above argument are significant. The proximity framework emphasizes that different consumption-need profiles may provide opportunities for co-ordination over time that are independent of trading current consumption against future promise in the single period. Persistence of

the proximity structure allowing the intertemporal co-ordination of agents is sufficient to make credit arrangements possible in the absence of formal lending and borrowing within the single period.

The same argument applies to lending and borrowing in the production sphere. Here, the differences among the time profiles of inputs' utilization for different production processes determine a set of possible complementarities among individual producers and/or productive sectors. In this case, different time profiles of the input absorptions that production processes require from each other may work as reciprocal collateral for loans among producers. The proximity heuristic allows the identification of production complementarities over time that may be conducive to co-ordination among production processes without formal trade arrangements among them. As in the loans-to-consumption case, complementarity over time breaks down if multiple processes require the same (produced) inputs from other processes at the same time. In this case too, formal trade arrangements may be needed in order to settle potentially conflicting claims for a given input provision. To sum up, the proximity heuristic provides a threefold tool for credit policy: first of all, it allows the distinction between different opportunities of loans-to-consumption or loans-to-production; second, it highlights the dependence of collateral provision on specific complementarities among consumption or production requirements; third, it emphasizes the context-dependence of effective credit policies.

6 Concluding remarks

The purpose of this paper has been to ground the concept of civil society in an account of sociability that views multiple patterns of connectivity as more primary than formal contracts or rights associated with markets and states. This conception of sociability emphasizes the self-enforcing configuration of intended and unintended outcomes that derives from social connectivity and determines the actual direction and intensity of the causal processes initiated by agents' actions. In this perspective, the domain of civil society rests upon the existence of social connections that embed economic and political processes.

The conceptual framework outlined in this paper has far-reaching consequences for the understanding of the economy and the polity, and of their relationships. First, civil society is neither defined nor determined by markets and states but on the contrary encompasses both. Markets and states are seen as embedded in civil society, so that the outcomes of immediate means-end actions are subordinate to causal structures rooted in a more encompassing condition of sociability. In particular, those causal structures are grounded in the criss-crossing pattern of intended and unintended outcomes. A notable consequence is that any given agent may often miss his (her) own specific target, even if actions of that agent may be effective in achieving other agents' goals, or different goals of the same agent. As a result, explaining the outcomes of market or political interaction may seldom be effective unless an effort is made at identifying the causal structure governing the interdependence between intended and unintended outcomes under given conditions. Second, the primacy of social connectivity entails that economic and political

institutions cannot be judged solely on their own terms but are to be seen against a benchmark that is more comprehensive than any specific set of economic and political arrangements, an argument that is highlighted by the proximity paradigm. Third, civil society is compatible with a range of different political economies. In particular, the theory developed in this paper suggests that the proximity paradigm of civil society is conducive to the discovery of political economies that foster greater openness and specificity compared with the political and the economic paradigm. Fourth, our conception of the political economies of civil society has implications for economic policy principles. We have argued that a hierarchy of such principles is necessary in order not to loose track of the priority of social connectivity over immediate means-end relationships, while at the same time ensuring a plurality of arrangements and a multiplicity of policy options.

The aim of this paper is not to provide specific policy recommendations. However, the paper does argue that the theory of civil society in general and the proximity paradigm in particular are indispensable heuristic tools to identity the unrealized capacities inherent in any given social configuration. The causal structure of civil society gives priority to arrangements that combine openness across different social domains with the specificity of goal-seeking strategies, thus emphasizing the need to address forms of participation and intervention beyond formal membership. We have argued that only policies compatible with that framework can help attain the potential offered by patterns of social connectivity that bind together instrumental with non-instrumental modes of interaction within the existing texture of intended and unintended outcomes.

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